Australian Dairy Industry Council Inc.

July 2023

Australian Dairy Industry Council submission to — Productivity Commission *Murray-Darling Basin Plan: Implementation Review 2023*

On 17 May 2023, the Productivity Commission released a call for initial submissions to the second five-yearly inquiry — *Murray-Darling Basin Plan: Implementation Review 2023*.

The **Australian Dairy Industry Council (ADIC)** appreciates the opportunity to provide a submission to this inquiry. The dairy industry is concerned about lack of implementation of recommendations from previous reviews, and the negative impact this has had on Basin community confidence and willingness to participate in future consultations.

The ADIC is the peak national body of the Australian dairy industry, representing the interests of dairy farmers and processors through its two constituent bodies **Australian Dairy Farmers** and the **Australian Dairy Products Federation**.

Australian Dairy Farmers (ADF) is the national advocacy body representing dairy farmers across the six dairying states. The ADIC has also consulted with State Dairy Farming Organisations in Murray-Darling Basin states and with Dairy Australia on the development of this submission.

The Australian Dairy Products Federation (ADPF) is the national peak policy and advocacy body representing the post farm-gate members of the Australian dairy supply chain, including processors, traders, and marketers of Australian dairy. ADPF members process more than 90% of Australian milk volumes and provide dairy products for both domestic and export markets.

Dairy Australia (DA) is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies. Working with DA are four Regional Development Programs based in the Basin – Murray Dairy, Dairy NSW, Dairy SA and Subtropical Dairy, each of which delivers regional extension programs for farmers in their region.

This submission sets out ADIC policy on the Murray-Darling Basin Plan (**section 1**), and the state of the dairy industry in the Murray-Darling Basin (**section 2**). It highlights negative impacts on our sector from lack of progress on recommendations from the first Productivity Commission *Murray-Darling Basin Plan: Five-year assessment* in 2018 (**section 3**) and responds to the key questions set out in the May 2023 Call for submissions paper (Box 1 and **section 4**). Further general discussion of the impacts of the Basin Plan on the dairy industry is given in **section 5**.

1. ADIC Position

The Australian Dairy Industry Council (ADIC) supports the intent of the Basin Plan to improve environmental outcomes and has worked hard to support the delivery of 2100GL under the Plan to date. All levels of Government need to honour the commitment to completing water recovery projects in good faith.

The ADIC does not support further buybacks from the consumptive pool unless they can progress without negative social or economic impacts.

Ensuring that future projects to implement the Basin Plan have neutral or positive social and economic impacts on communities is essential for fair and equitable implementation of the Plan.

The ADIC notes that many of the recommendations from the previous (2018) Productivity Commission *Murray-Darling Basin Plan: Five-year assessment* are yet to be implemented as agreed in the Government response at the time.

This lack of implementation is indicative of an issue across all Basin Plan reviews to date where little progress is made on implementing recommendations.

This lack of action on implementing recommendations undermines community confidence in the review and consultation processes and builds cynicism in the ability of communities to impact outcomes.

A lack of action following monitoring and evaluation is also undermining confidence within communities.

Timeframes for implementation must be extended. Major Basin Plan reviews have flagged that projects are behind schedule, and recent flooding, COVID and inflationary pressures have exacerbated delays.

The ADIC seeks an increased focus on measuring the environmental outcomes as a way to measure progress and success of the Basin Plan, rather than a sole focus on recovering volumes of water.

Measuring the environmental outcomes will drive innovation in environmental management which recovering volumes does not guarantee.

Complementary environmental projects should also be considered where they either protect environmental outcomes achieved by, or magnify, benefits from environmental water delivery.

With predictions of a drying and more variable/volatile climate in future, a more innovative and flexible approach that focuses on outcomes is the only way to balance a triple bottom line.

New or amended projects under the Basin Plan have the potential to either ease or exacerbate economic pressures on local farming businesses and communities. Undertaking a proper, thorough assessment of potential social and economic impacts, including engaging with local communities, is the only way to ensure that Basin Plan outcomes can be achieved without further negatively impacting dairy business and regional communities across the Basin.

2. Dairy industry in the Murray-Darling Basin

Dairy businesses — both farms and processing — are the backbone of the economy and community in many regions of the Murray-Darling Basin. These communities have faced challenges in recent decades from a myriad of factors, but shown themselves to be innovative and resilient, maintaining confidence and positivity.

The Murray-Darling Basin (the Basin) contains several important dairying regions – including areas of northern Victoria, southern New South Wales and smaller clusters of farms around Forbes and Wagga Wagga in New South Wales, Toowoomba and Warwick in Queensland, and Murray Bridge in South Australia. Unlike dairy along Australia's coastline, where pasture growth is closely linked to rainfall, most dairy farms in the Basin, with the exception of some in the Queensland Downs region, rely on irrigation schemes to produce feed requirements.

Dairy production and processing in the Basin underpins Australia's food security, producing 1.66 billion litres, or 19%, of Australia's milk, and is a key source of nutrition in the Australian diet, benefiting the wider Australian and international community. The region also affords dairying some key competitive advantages. It is ideally located for both export and domestic markets, with efficient connectivity through road, port, and telecommunications infrastructure. Logistics access to Melbourne, Sydney and Brisbane has become increasingly important in recent years as adverse conditions such as drought and land-use change impact milk production elsewhere.

Irrigation together with access to grain and cropping enable more even, year-round milk production in the Basin than in southern Victoria and Tasmania. This allows for more efficient year-round use of milk processing infrastructure. Milk produced in the Basin is processed within the Basin through 24 milk processing facilities located in the region, supporting 8451 direct and indirect local jobs and generating $1.67 billion to the local economy.

Beyond producing essential nutrition for the community, irrigated dairy farm businesses play an important role in the Basin, working with other irrigation users, buying and selling inputs with local businesses and supporting each other. Water authorities report that dairy farms are an important component of maintaining the viability of irrigation infrastructure for all irrigators. Indeed, agricultural diversity (diverse consumptive water uses) is key to resilience and prosperity in Basin communities and regional economies.

Dairy Australia has developed a fact sheet *Dairy in the Murray-Darling Basin*, which contains further information. Key metrics are included in **Appendix A**.

3. Unresolved issues from the first Productivity Commission 5-year assessment and other inquiries

The ADIC provided a submission to the first Productivity Commission *Murray-Darling Basin Plan: Five-year assessment* in 2018, and broadly supported the recommendations from that review. The Government at the time released a response to the review which outlined government support, support-in-principle or non-support of the report recommendations. Many of the Government-supported recommendations have not yet been implemented.

This is the case with many of the reviews undertaken over the last 5 years of the Basin Plan, including the *Independent assessment of social and economic conditions in the Basin* (the Sefton Review) and the *2020 Basin Plan Evaluation*. For example, two key recommendations from the 2020 evaluation have not yet been materially implemented:

- **Recommendation 1 –** Basin state governments and the Australian Government need to urgently commit to delivering significant Basin Plan projects. These include the SDL Adjustment Mechanism projects, 'Northern Basin Toolkit' measures and the remaining water resource plans, which are yet to be accredited. All are complex initiatives and governments need to continue to work in partnership with local communities to design and implement.

- **Recommendation 2** – There is still scope for Basin governments to propose new and innovative approaches to achieving the long-term sustainable limits for water use in the Basin. As Basin governments and communities engage on completing the remaining elements of Basin Plan implementation it will be vital to show how these new approaches could contribute to delivery of sustainable water use limits.

The result of this inaction over many years is that **communities feel over-consulted yet unheard, and that there is a high level of cynicism about participation in future consultations**. The same questions are asked, and the same recommendations are made time and time again. Given the level of consultation flagged in the recently-released *Roadmap to the 2026 Basin Plan Review*, this is a significant issue.

Related to a lack of action on implementing recommendations is an issue around inaction following reporting. Previous reviews have called for more reporting to improve transparency, and in some cases this reporting has occurred. For example, the Basin Plan Report Card provides a traffic light view of key elements of the Plan. However, despite reporting some items as 'High Risk' for a number of consecutive reporting periods, there appears to be no mechanism to intervene. This appears to be a widespread issue across MDB reporting.

The ADIC requests that there are mechanisms to ensure that recommendations from reviews are implemented, and that reporting leads to action where projects are found to be at risk.

4. Key questions from the Productivity Commission *Murray-Darling Basin Plan: Implementation Review 2023*

Box 1: Key Questions from the Discussion Paper

1. What needs to change to ensure water recovery targets are met and that supply and efficiency measures are delivered? What lessons can be learnt from past experiences?
2. Are the current arrangements for implementing the Murray-Darling Basin Plan operating effectively? How could the arrangements be improved? The Commission is particularly interested in the effectiveness of the arrangements for:
    - developing, accrediting and reporting on water resource plans
    - water quality
    - critical human water needs
    - environmental water planning and management.
3. Have the governance and institutional arrangements for the Plan – including the arrangements for compliance and monitoring, evaluation and reporting – proved effective? What changes would you recommend?
4. How well is the Plan responding to a changing climate? How should this be improved?
5. How well is the Plan addressing the interests of Aboriginal people?
6. How well has community consultation and engagement been conducted? How can this be improved?
7. What lessons should be learned from programs aimed at helping communities adjust to the Plan?
8. Does the implementation of the Plan reflect a commitment to the best available scientific knowledge? How well is this knowledge communicated? What improvements should be made?
9. Are there any other issues with Plan implementation that you wish to raise?

Q1: What needs to change to ensure water recovery targets are met and that supply and efficiency measures are delivered? What lessons can be learnt from past experiences?

Timeframes:

The 2019 Productivity Commission report warned that the SDLAM projects were behind schedule, a position that was backed up in 2022 by the Murray-Darling Basin Authority (MDBA). Two

consecutive reviews of the Water for the Environment Special Account have found that the 450GL cannot be delivered within the deadline or with remaining funds. The MDBA's own 'report cards' have shown for at least 5 years that implementation of some Basin Plan initiatives are at 'high risk' of not being delivered.

Project delays have been exacerbated by difficulties in delivery of projects due to COVID lockdowns, recent flooding, materials shortages, and inflationary pressures. Not all of these issues could have been foreseen during initial project scoping.

Despite years of reports and findings, there has been no action to change the timeframes for delivery of projects. We are now one year from the delivery deadline and face a number of issues that could have been avoided had this advice been heeded. The result of this is that paused projects, and subsequent water recovery, are now further behind schedule. The Victorian Governments has recently stated that a 2.5-year extension to 31 Dec 2026 would be expected to allow Victoria to complete several SDLAM projects, estimated to increase Victoria's water recovery to 1,004 GL (93% of our 1,075 GL commitment), assuming there are no further delays due to issues outside the projects teams direct control.[1]

Project Flexibility:

Delivery of water through the SDLAM projects, as originally scoped, has faltered. Some projects have needed to be entirely re-scoped and will not be delivered by the 2024 deadline. If a project is not complete by June 2024, or delivering less water than promised, the Commonwealth would be forced to acquire the water.

Additionally, as mentioned above, there is ambiguity about whether states will be reimbursed by the federal government for projects which are not complete by June 2024, which has resulted in some projects being paused.

Ultimately, the best outcome would be to complete water recovery through projects as originally envisaged. To do this, there needs to be both flexibility in timeframes and flexibility in the projects themselves, including considering new projects where existing projects are found to be unworkable or under-delivering.

The dairy industry supports the progress undertaken to date to design and implement SDL projects including the commitment to community consultation demonstrated by State Governments. To this end, the industry firmly believes that reasonable progress has been made by State Governments to complete the SDL projects in good faith, in an extremely difficult operating environment impacted by extreme seasonal conditions and major disruptions bought about by the pandemic. This further supports the need for flexibility in timeframes in order for projects to be completed. **The dairy industry also suggests that there needs to be more opportunity to modify or add projects as a result of new scientific knowledge or technology that would assist in water recovery.**

Measuring Environmental Outcomes and Success of the Basin Plan

The overall purpose of the Basin Plan is to improve environmental outcomes, and we acknowledge there is a monitoring and evaluation process in place to do this. However, the framework used focuses on volumes of water recovered as a proxy for environmental outcomes. This assumes that water recovered directly results in positive environmental outcomes, but this is not necessarily the case. Communities situated in the Basin have continuously flagged the need to consider additional environmental indicators that limit sustainability outcomes, including erosion, weed and pest

[1] DEECD Presentation to Agriculture Industry Reference Group May 2023, unpublished.

incursions, and water quality. Ignoring these factors will not result in targeted environmental outcomes being achieved.

To date, 2100GL of water has been recovered from the agricultural sector to be delivered for environmental benefit, with more to be recovered through the SDLAM projects, buyback of the shortfall from the Bridging the Gap, and 450GL for enhanced environmental outcomes. It is still unclear if or how this additional water recovered will directly improve environmental outcomes.

Recovering water does not necessarily translate into environmental improvements because simply **recovering more water does not mean that it can be delivered to where it is needed**. In the case of the Basin Plan, we know that work is needed to ease constraints to ensure that water can be delivered. The Commonwealth Environment Water Holder has said:

> '*There are a number of Basin Plan measures that **are fundamental to realising the full value of Commonwealth environmental water and maximising environmental outcomes. These include activities that remove or ease constraints** on the capacity to deliver environmental water (constraints measures)*.'

The Government accepted this in its response to recommendation 5.2 of the first PC review:

> *'**Along with the enhanced environmental outcomes, some of the proposed supply measure projects are also dependent on the easing of constraints**.'*

And to address the issues:

> *'An **Efficiency Measures Work Plan** was agreed by the Ministerial Council on 14 December 2018 as the strategy for achieving the 450 GL of efficiency measures by 2024. Basin ministers also agreed to a **Constraints Measures Coordinating Work** Plan at the Ministerial Council meeting in December 2018. **Together, these plans provide a means to achieve the objectives of the Water for the Environment Special Account to enhance the environmental outcomes** by easing or removing constraints on the capacity to deliver environmental water and increase the volume of environmental water by 450 GL.*'

It's unclear as to the status of either of these promised work plans, however the MDBA's own Report Card shows that **progress on removing constraints has stalled**. This means that we can't be sure that already recovered environmental water or planned additional water recovery can actually be delivered where it needs to go to achieve the outcomes we want to see.

As well as delivery issues**, environmental outcomes are impacted by issues outside of the current scope of the Basin Plan**, particularly the impact of pest plant and animal species on ecosystems. In 2017 the MDBA commissioned the CSIRO to develop a framework to assess the relative **environmental benefits of Complementary Measures**, which stated that:

> "*Non-flow based interventions, such as infrastructure works to provide fish passage and/or mitigate downstream effects of cold water releases from storages, in-stream snagging to provide fish habitat, restoration of riparian vegetation and removing barriers to floodplain connectivity, have been proposed as contributing to achieving the overall environmental outcomes and have been termed 'complementary measures' (Complementary Measures). **These interventions do not replace flow-based measures – however, they are recognised as being important to the achievement of environmental outcomes. Indeed, there are certain to be benefits provided by Complementary Measures that will not be achieved through flow-based measures alone, hence the term 'complementary**."*

It's unclear whether this framework has progressed further since then. The development of this framework must progress as part of a larger move towards recognising outcomes as the indicator of success across the Basin.

The ADIC supports the intent of the Basin Plan to improve environmental outcomes across the Basin – that is the reason for the Basin Plan. Environmental outcomes should be the focus of measuring success of the Basin Plan, not simplistic measures of volumes recovered. This includes developing a systematic approach to quantifying outcomes, modelling to estimate what can be achieved, and the adoption of complementary measures to help us get there.

Q2: Are the current arrangements for implementing the Murray-Darling Basin Plan operating effectively? How could the arrangements be improved? The Commission is particularly interested in the effectiveness of the arrangements for: • developing, accrediting and reporting on water resource plans • water quality • critical human water needs • environmental water planning and management.

Water resource plans are an integral part of implementing the Basin Plan. They set new rules on how much water can be taken from the system, ensuring the sustainable diversion limit is not exceeded over time. **There are currently 15 Water Resource Plans for NSW still not accredited, meaning that compliance work cannot begin and a number of previous recommendations from the first PC review cannot be implemented**. This has further undermined the confidence of stakeholders in the Basin that all agencies are working towards implementation.

Q3: Have the governance and institutional arrangements for the Plan – including the arrangements for compliance and monitoring, evaluation and reporting – proved effective? What changes would you recommend?

As discussed earlier, compliance has been lagging, despite the implementation of the Office of the Inspector General. This Office was developed by the Government to address a recommendation from the first Productivity Commission Review which sought to separate the compliance function out from the MDBA. This was agreed at the Ministerial Council meeting on 4 August 2019. However, four years later there are still 15 Water Resource Plans outstanding, meaning that the Inspector General has not yet been able to properly fulfil the role.

There has been an increase in monitoring and reporting, but this hasn't translated to action. This includes the MDBA periodic Report Cards and the MDBA 2020 Basin Plan Evaluation.

For example, the 2020 Basin Plan Evaluation included two key recommendations, but there does not appear to have been any action resulting from these recommendations:

- **Recommendation 1 –** Basin state governments and the Australian Government need to urgently commit to delivering significant Basin Plan projects. These include the SDL Adjustment Mechanism projects, 'Northern Basin Toolkit' measures and the remaining water resource plans, which are yet to be accredited. All are complex initiatives and governments need to continue to work in partnership with local communities to design and implement.
- **Recommendation 2** – There is still scope for Basin governments to propose new and innovative approaches to achieving the long-term sustainable limits for water use in the Basin. As Basin governments and communities engage on completing the remaining

elements of Basin Plan implementation it will be vital to show how these new approaches could contribute to delivery of sustainable water use limits.

Q4: How well is the Plan responding to a changing climate? How should this be improved?

The latest Dairy Australia *National Dairy Farm Survey* found that 40% of respondents listed climate as their biggest concern over the next 6 months (up from 27% in the previous survey).[2] In the Basin this is a key issue, as modelling by the CSIRO shows annual basin inflows averaged 9,407 gigalitres per year from 1900 to 1999/2000. In the 20 years since, average annual inflows to the system have almost halved, falling to 4,820 gigalitres.[3]

The MDBA has outlined the following challenges and implications on the Basin of climate change:

- Less water available for all users
- Increased pressure for efficient water use
- Reduced water quality
- River ecosystems under stress and changing
- Competing water demands across sectors
- Growing liveability challenges in regions[4]

We note that the MDBA has a Climate Change Planning Program which has been underway for several years, however the outcomes and directions from this program have not been well communicated to stakeholders.

All of the climate challenges listed above will impact on Basin dairy communities, but the impact of reduced water availability across the Basin will be key because it will further impact on price and reliability of water rights for irrigators across the Basin.

It's difficult to gauge how well the Plan has been responding to climate change when the community can't see any direct operational changes and isn't part of the research program. This needs to change, with **community decision making being at the heart of addressing these challenges**.

Q6: How well has community consultation and engagement been conducted? How can this be improved?

As outlined already, **communities are feeling over-consulted and under-heard** by reviews which ask the same questions and provide similar recommendations which are not implemented. In some cases, key projects have failed due to a lack of consultation or consultation that hasn't met the needs of communities, including key SDLAM projects at Menindee. Consultation is an issue that has been examined extensively but not improved materially over the years of Basin Plan Implementation. **Ensuring that communities see actual material change resulting from consultation is key to making sure that communities will continue to engage in the process in future**. This is particularly important over the next few years as we look towards the Basin Plan Review in 2026 and consideration of next steps, where communities with low confidence in the process already face more uncertainty about their water futures.

Q7: What lessons should be learned from programs aimed at helping communities adjust to the Plan?

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[2] Dairy Australia, National Dairy Farm Survey Report, March 2023.
[3] As referenced in ABC News et al, May 2021.
[4] https://www.mdba.gov.au/publications/mdba-reports/climate-change-planning

Recommendation 3.3 of the 2018 Productivity Commission *Murray-Darling Basin Plan: Five-year assessment* found that:

'*If provided, the Australian Government should target any further assistance to communities where substantial adverse impacts arising from water recovery to date or any future recovery program have been identified.*'

To date, community assistance has been ad hoc and piecemeal. Structural adjustment for Basin communities will occur past Basin Plan implementation as the impacts of water policy reform will be felt long into the future. To date, there has been little support for communities that are adjusting to new realities resulting from Basin Plan implementation. A long-term Economic Development program that tracks changes to social and economic opportunities at a community level then supports strategic investment is required. Assistance needs to include a combination of RD&E investment, skills transition, and positive recognition of the importance of the Basin to food production. Investments in this area need to be coordinated across the Basin and across industries and communities, to maximise collaboration, coordination and efficiency of investment. Individual short-term projects are unlikely to achieve the level of support required to support structural adjustment in communities.

Q8: Does the implementation of the Plan reflect a commitment to the best available scientific knowledge? How well is this knowledge communicated? What improvements should be made?

Regular updates from the MDBA provide stakeholders with advice about new research and science that is underway across agencies, but, as with other reporting as discussed above, there is often not a clear view of how and when the new data will impact on implementation. The new *Roadmap to the 2026 Basin Plan Review* '*steps out the work needed to gather the science and build the knowledge, develop the policy, and undertake the engagement needed for sustainable water management across the Basin and its communities into the next decade*.' Climate change is the key issue facing the Basin, and there must be transparency about what the results are, and what it means for all stakeholders in the Basin. **The Roadmap provides an opportunity to engage with both the science and stakeholders in a more transparent and meaningful way**.

Q9: Are there any other issues with Plan implementation that you wish to raise?

Modelling

The Australian Government promised to deliver updated modelling, however it is unclear whether this has occurred. This was acknowledged in recommendation 5.1 of the 2018 Productivity Commission *Murray-Darling Basin Plan: Five-year assessment*:

> *"5.1: As soon as practicable, the Murray–Darling Basin Authority (as the agent of governments) should comprehensively update and publish modelling to confirm the enhanced environmental outcomes that can be achieved with additional water recovery. This modelling should use up-to-date information on the constraints proposals, the effects of supply measures, and the volume of held environmental water. The Murray–Darling Basin Authority should also model the benefits of additional environmental water within existing delivery constraints, and use this information to establish which Sustainable Diversion Limit resource units should be the priority for additional environmental water recovery."*

5. Impacts of the Basin Plan on Dairy Communities

Farming in the Murray-Darling Basin has seen significant change in the past 25 years. A main driver of change was the introduction of water trade, which began in the 1980s but grew significantly with reforms in the 1990s and 2007. Water trade accelerated farming and structural changes that would likely have occurred anyway, but not with the same speed or regional intensity. Water recovery under the Basin Plan has added extra pressure to this transition by making less water available.

For dairy, this change has resulted in a transition towards more intensive annual based feed systems that incorporate mixed cropping and the ability to build significant feed buffers to reduce the risks of low water availability and other periods where feedbase production is compromised, for example in dry conditions and other extreme events. These systems provide additional benefits by supporting animal health and welfare through improved cow comfort in stand-off areas, housing and feedpads built to withstand high temperatures and wet conditions. However, these systems still need to be underpinned by a sustainable irrigation system to build high performing feedbase systems over the long term. They also require significant financial investment, are not available in all regions and require all dairy farmers to have the skills and capacity to manage these more complex farm systems. As a result, the ability to transition and buffer water market pressures has not been equal, resulting in a **44% reduction in dairy farm numbers and a 30% reduction in total milk production since 2012**.[5] For some, the rate of change has been too much to manage.

In 2020 the *Independent Assessment of Social and Economic Conditions in the Basin*, chaired by Robbie Sefton ('The Sefton Review'), examined the social and economic impacts of the Basin Plan on communities across the Basin. The final report describes a mixed, but **overall significantly negative, impact on Basin communities.**

"*As a Panel, we were disheartened to see communities at a crossroads despite countless studies, reviews and inquiries. Visions and policies in our irrigated communities focusing on overall gains have not dealt fairly with those left behind, nor worked hard enough to be fully inclusive.*

The pace [of change] has been rapid and the impacts profound. The future is no longer secure or certain for some people and regions, despite their hard work. *Morale has eroded, and a sense of hopelessness is spreading; in many cases, people no longer feel confident in their future. These impacts are not only being felt in the 'back pocket', but witnessed in the main streets of towns, and in the prospects for our next generation."*

The Sefton Review commissioned modelling to examine and quantify impacts on various agricultural sectors, including for dairy in northern Victoria. **This work found that 'recovering more consumptive irrigation water will have significant negative impacts for some regional Basin communities, including NSW Murray and northern Victoria.'** Community decline was a common theme heard through consultations undertaken for the Sefton Review, particularly in communities in northern Victoria and southern NSW that traditionally relied on dairy and cropping.

The Victorian Government undertook modelling that helps to understand this. This modelling found that in dry years, when prices are high, dairy farms cannot compete for available water. This is a significant issue when you consider that many **dairy farms now need to purchase 60% of all the water they need on the temporary market, leaving them exposed to this water market risk**.[6]

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[5] Dairy Australia, Dairy in the Murray Darling Basin, 2021

[6] https://www.water.vic.gov.au/mdb/mdbp/social-and-economic-impacts-of-the-basin-plan-in-victoria

Under current levels of horticultural development, assuming acceleration of climate change and the planned recovery of 450 GL, modelling by ABARES suggests that **water use by the dairy and rice sectors could decline by as much as 55% and 32% respectively in the very dry years**. Analysis by the NSWIC of MDBA data has found that thirty per cent (3261) of 10,801.5 FTE jobs lost across 40 southern Murray-Darling Basin communities from 2001 to 2016 were attributed to water recovery.[7]

New or amended projects under the Basin Plan have the potential to either ease or exacerbate these pressures on local farming businesses and communities. Undertaking a proper, thorough assessment of potential social and economic impacts, including engaging with local communities, is the only way to ensure that Basin Plan outcomes can be achieved without further negatively impacting dairy business and regional communities across the Basin.

6. Conclusion

ADIC calls for greater flexibility in Plan implementation, including timing and project details, a commitment to ensuring no negative social or economic impacts from Plan implementation, and a greater focus on the environmental outcomes rather than a focus on volumes recovered. This is the only way to ensure that we can continue to have a dairy industry in the Basin that provides healthy, sustainable products that Australians need and enjoy.

The ADIC would appreciate the opportunity to discuss our submission in more detail, and work collaboratively with the Productivity Commission on next steps of this important policy reform.

Yours sincerely

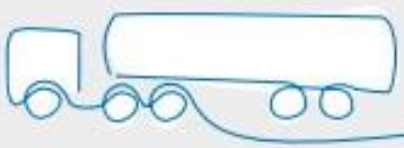
Rick Gladigau
Chair
Australian Dairy Industry Council

John Williams
Deputy Chair
Australian Dairy Industry Council

[7] NSW Irrigators' Council, 2023-04-19-Jobs-impacts-socio-economic-report.pdf (nswic.org.au)

Appendix A: Dairy in the Murray-Darling Basin

SNAPSHOT OF DAIRY IN THE MURRAY-DARLING BASIN FY2020–21[5]



24
milk processing companies operating in the Basin.

8451
Total employment

2067
Direct on-farm employment

6384
Flow-on employment

1023
dairy farms across four states

78%
of which are in Victoria

22%
split between South Australia, New South Wales and Queensland.

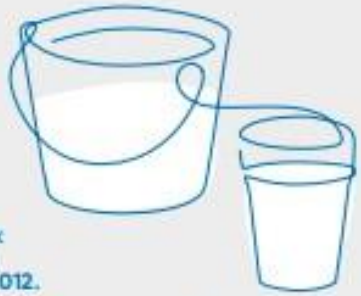
Anecdotally, water entitlements make up approximately

25%
of capital assets for dairy farm businesses in the Basin.

The **highest number of farms relying on irrigation** are in the **Southern Basin region**, which includes Southern NSW, Northern Victoria and South Australia. **Very few Queensland dairy farms rely on irrigation.**

44%
reduction in dairy farm numbers and a

30%
reduction in total milk production since the Basin Plan began in 2012.



Approximately

$527 million
has been invested by dairy farm businesses in on-farm infrastructure during the past five years in the Victorian Murray region alone

Much of this farmer investment is to enable **increased feedbase production, harvesting, storing and feeding back to the herd.** Much of this investment is for risk-management measures, helping farms to become more resilient in the face of challenges to productivity.

1.66 billion
litres of milk produced, representing

19%
of the total national volume.

Farm gate value of

$875 million
resulting in

$1.67 billion
of value to the local community.

5 Dairy Australia, multiple sources.

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The **highest number of farms relying on irrigation** are in the **Southern Basin region,** which includes Southern NSW, Northern Victoria and South Australia. **Very few Queensland dairy farms rely on irrigation.**

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Total employment

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Flow-on employment

Dairy Australia, multiple sources.